

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

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THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
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 (FOR KEY SEE REVERSE)

1. Trade delegations working in capitalist countries are the only foreign-trade representatives who reside there for any length of time. Therefore, they are best acquainted with the economic life and the markets of the countries to which assigned. 25X1
2. The delegations serve two purposes:
 - a. They have an official mission, which includes participation in trade agreements; investigation of the country's economic and political conditions; reporting on customs policies and tariffs; and recommendations as to the expansion of trade between the two countries.
 - b. The delegations play an important role in establishing business connections in the foreign country. However, it must be remembered that they are not agents or dealers. Although they should take the initiative in furthering trade, they cannot sign contracts or engage in other legal transactions which are the responsibility of the enterprises. It is the enterprises, as independent legal entities, and not Hungary, which make contracts. The delegations do not have the status of the trade representative (torgpredstvo).
3. Although no set regulations can be given for the operation of the trade delegation, it should follow certain rules of conduct.
 - a. In order to assure smooth operation, the delegation must possess a thorough knowledge of the position of the foreign import-export enterprises, the goods handled by them, prices, seasonal characteristics, etc.

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- b. The delegation must have information on individual transactions before they are concluded so that it may be sure that the conditions of the contracts are met. It must also check on prices, the credit standing of the trade partner, etc.
 - c. The delegation must be acquainted with buyers, sellers, and the Budapest representatives of the foreign enterprises. It should know the opinions of the Hungarian enterprises concerning these persons' reliability and authority. It should speak with these people and report their conversations and opinions.
 - d. The delegation must gather information from the Hungarian foreign-trade enterprises concerning the merchants who are working for them in the markets, and must have a good idea as to the type of people it is dealing with.
 - e. These are only a few examples. The delegation must also have a general knowledge of the world market and have information as to prices and availability of commodities.
4. In its relationship with the Hungarian foreign-trade enterprises, the delegation should strive to aid them in increasing their trade. The delegation must establish a good reputation by giving valid and reliable information to these enterprises. Dealings with the Hungarian foreign-trade enterprises should have the stamp of sincerity and helpfulness, and the delegation should be punctual in meeting deadlines. Criticism should be tactfully made and given in person. It should be specific rather than general.
5. In dealing with foreign clients, the delegation should avoid giving written information. Notes should be made after each conversation.
6. There are several things the delegation cannot do in relation to the home enterprises. It cannot make oral promises, except in special cases when authorized by a Hungarian foreign-trade enterprise. Actually, the delegation is only an intermediary between the foreign and Hungarian enterprises and can sign contracts only in exceptional cases, with the approval of the ministry. It cannot give instructions to the Hungarian foreign-trade enterprises, nor can the enterprises give instructions to the delegation. If the delegation receives business proposals it should not go beyond its own authority but should ask advice from the Hungarian foreign-trade enterprise or from the Ministry. The duties of the delegation towards the Hungarian enterprises are summarized as follows:
- a. When an enterprise is negotiating a business transaction, the delegation may participate in the discussion of prices, the quality of the goods, terms of payment, credits, and transportations. In general, the delegation can take part in business negotiations only at the request of the Hungarian enterprise. It must also warn the Hungarian enterprise if better terms can be reached, if the foreign firm is unreliable, etc. It can also help the Hungarian enterprise by obtaining import, export, or transfer permits.
 - b. An important duty of the delegation is to discover and exploit new business possibilities for the Hungarian enterprises. If the delegation has good connections it will know which Hungarian enterprises have sales difficulties and which are having procurement problems. In such cases it should help them by discovering buyers or sellers. However, here again it can take part in specific negotiations only if it has been so authorized by the Hungarian enterprises.
 - c. In certain matters the delegation can intervene at the request of the Hungarian enterprise, for instance, in checking payments, the shipment of goods, or in examining a contract.
 - d. The Hungarian foreign-trade enterprises most often call on the delegation in the case of claims. In such cases the delegation points out the mistakes and estimates losses, but must refrain from expressing an opinion, especially to the foreign buyer.

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- c. The delegation should make an effort to link Hungarian imports with exports. It should ascertain the kinds of goods which are a drag on the foreign market. The delegation then might obtain special import licenses for Hungarian products in compensation for purchasing such goods which the foreign country desires to sell. In this connection the delegation should, of course, be informed not only of the market in general but also of the situation of the merchants who might be induced to make such a compensation deal.
 - f. The delegation must be informed as to the quantity which could possibly be put on the market, the specifications of the articles, and their prices.
 - g. When Hungarian enterprises ask the delegation for price information they must give complete specifications of the articles in question. The delegation can get such information from forwarding agents, insurance companies, and chambers of commerce.
 - h. The delegation should keep the enterprises informed as to new or special articles on the foreign market, their qualities, and packaging.
 - i. In certain eastern and overseas markets, the delegation should gather information about competitive biddings and the possibility of Hungarian participation. This is important because Hungary's heavy industry enterprises (Nikex, Techno, Komplex, Mogurt) do not have connections on these markets yet, and receive information about biddings only by accident and after they have been closed. The delegation should establish contacts with the state purchasing centers, or with large private purchasers, should obtain information about the terms of the biddings, and report the results of those competitive biddings which have already taken place, especially concerning prices.
 - j. The delegation must have full information concerning the problems, proposals, and claims which are brought to it by Hungarian enterprises. It must know what the enterprises wish to accomplish and must avoid statements that could later be contradicted or proved inconsistent.
7. The following example illustrates the above suggestions. Technoimpex wants to export electromotors but is not familiar with the market and has no buyers. It is advisable, first, to obtain general information whether the country with which it wishes to deal imports electromotors, where it obtains them, in what quantity, and of what type. These facts can be obtained from statistics, technical journals, trade representatives of friendly /Orbit/countries, and chambers of commerce. Once this is done, Technoimpex can ask specific questions: important firms importing this product, their representatives, their prices, quantities, and the terms of payment.
8. The most difficult problem is selecting the proper buyers and representatives. The delegation can get information on the firms from its own connections, or those of friendly /Orbit/countries, chambers of commerce, trade associations, and commercial directories. Sometimes good information can be obtained from forwarding agents or banks. The selection should be made from a large enough group, so that there can be a good basis for comparison.
9. In the first talks with the representatives of the foreign firm no definite agreement should be made. Information should be obtained as to the capacity of the firm, its bank, credit standing, organization, and its political attitudes. When selecting buyers or representatives it is advisable to know to whom they sell, with whom they work, how well known they are on the markets, their selling methods, and whether they employ the necessary experts. It is also good to know what official connections and capital the firm has. It is often useful to see the actual operations of some of the departments of the firm, and it is essential that all impressions that have been gathered come from personal observation. These observations, plus suggestions, should be forwarded to the home enterprise, which should place the actual order. However, it is advisable for the clients to feel that the delegation also has some authority.

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10. When selecting buyers, sellers, or representatives it must be remembered that a state enterprise is being tied up with a private firm. This must be kept in mind, for the fact signifies stability and prospects for the foreign firm which is dealing with a socialist economy. It also means that we should not expose ourselves to provocations.
11. The delegation should have at least a minimum of technical knowledge of the articles with which it is dealing, and of the quantity which Hungary can supply and the foreign market can absorb. This can be learned through correspondence with the home enterprise, and by talking with purchasers on the market. A variety of sources should be used for this purpose.
12. In imports, we must avoid showing too much interest in an article, thus causing a rise in price, and must act carefully in regard to articles which may be placed under embargo. Attention should also be given to possibilities of concluding a combination import-export transaction. First of all, avoid a stir in connection with our import efforts. A misstep may lead to embargo. The delegation should investigate which articles the foreign country is anxious to export, and in this connection the trade agreement with the respective country should be carefully reviewed. It is helpful if the Hungarian enterprise supplies the delegation with information which may have been obtained in a third market. It is also advisable to follow the price fluctuation of the most important goods. We should try to buy in the country where the goods are produced and to avoid transit.
13. As a rule, the delegations are bombarded by the home enterprises for price information. However, it is not the duty of the delegations to tell the home enterprise at what price to sell or buy. In most cases, the delegation is required to study price trends and to report them to the enterprises and the ministry. Such studies should include the direction in which prices are moving, what possible crises may occur in production, how customs duties of government subsidies influence the prices, and whether there are discriminatory provisions regarding Hungary. For all types of information, especially price information, documented material should be used. This includes contracts, market quotations, etc. The delegation should give an opinion on the collated information which should be as exact as possible and should include the quality of the goods, the manner of packing, possible seasonal characteristics, and the price differences of certain buyers and sellers.
14. The Hungarian enterprises frequently ask the delegation for help in connection with claims. The problems of an import claim differ from those of an export claim.
 - a. In the case of import claims the delegation not only advises but often performs some necessary commercial action. For example, in questions concerning the quality of goods, it should discuss the issue with a quality-examining agency. It is desirable that the enterprise directly handle the details and settle claims. However, the delegation should warn the Hungarian foreign-trade enterprise of any circumstances present in a transaction which could later lead to claims.
 - b. In claims concerning our own exports, it is the foreign purchaser, rather than our enterprise, which consults the delegation. In such cases the delegation should be careful to avoid making statements. But it should see that justified claims are satisfied, to maintain our good reputation.
15. Inquiries and complaints by foreign enterprises should be handled skillfully and expeditiously. When an offer is made, the foreign firm or individual making it should be investigated. If similar or identical offers are made they should be compared. Claims should be carefully examined to determine whether they are justified or were made merely as a means of breaking off business relations because of an unfavorable market.
16. The delegation should send offers and complaints home, together with its own recommendations. It can also promote sales by interesting the purchaser of a certain article in other related goods. Sometimes it might be worthwhile to invite buyers to examine goods in Hungary. In this connection it must be borne in mind that such trips are subject to Hungarian entry permit. The delegation should keep a card file

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of the home enterprises and enter on these cards the proposals, offers, and complaints of the foreign firms with whom they deal. Of course, this material should be treated as confidential. It is important for the delegation to be constantly well informed about market conditions, to help the home enterprises. For example, if sanitary or textile goods are our best export articles in the country concerned, the delegation should collect all information for the Hungarian enterprises without waiting for inquiries.

17. The contact with the market should be personal, to enable the delegation to check its own work and that of the enterprises, and to follow market developments and trends. It is also important that the delegation and the home enterprises have direct contact with each other, rather than working through the ministry. Connections between the Hungarian enterprises and the delegation should be maintained at all times, and not only in cases of trouble. Enterprises which are not in the market must be informed about the possibilities of trading.
18. Decisions as to the application of trade policy, in particular with reference to the foreign country concerned, should be made by the "referent" of the ministry in cooperation with the delegation.
19. In conclusion, the best way to keep in touch with the market is day-to-day personal contact. It enables the delegation to collect the necessary material for the negotiation of trade agreements. In this connection the ministry depends on the services of the delegation.

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